

Draft Energy Plan Recommendations,

11/15/2006

The following is a list of draft objectives, policies and actions coming out of the 11/15/2006 meeting of the Interim Committee.

Energy Plan Objectives

1. Ensure a secure, reliable and stable energy system for the citizens and businesses of Idaho
2. Maintain Idaho's low-cost energy supply and ensure access to affordable energy for all Idahoans
3. Protect Idaho's public health, safety and natural environment and conserve Idaho's natural resources
4. Promote sustainable economic growth, job creation and rural economic development
5. Provide the means for Idaho's energy policy to adapt to changing circumstances

Electricity

Policies

Resource Diversity

1. Idaho utilities should acquire reliable, diverse, cost-effective and environmentally sound resource portfolios sufficient to meet their customers' long-term electricity needs.
2. Idaho utilities should have access to a broad variety of resource options consistent with Idaho's policy objectives, including both renewable and conventional resources.

3. Idaho electric utilities should conduct Integrated Resource Plans that assess the relevant attributes of a diverse set of supply-side and demand-side resource options and provide an opportunity for public input into utility resource decisions.

Resource Priority

4. In order to protect and enhance Idaho's quality of life, it is incumbent on all citizens to use Idaho's precious natural resources, including energy, in a wise and responsible manner.
5. When acquiring resources, Idaho and Idaho utilities should give priority to: (1) Conservation, energy efficiency and demand response; and (2) Renewable resources; recognizing that these alone may not fulfill Idaho's growing energy requirements.
6. The Idaho PUC and Idaho's municipal and cooperative utilities should ensure that their policies provide ratepayer and shareholder incentives that are consistent with this priority order.
7. It is Idaho policy to encourage the development of customer-owned and community-owned renewable energy and combined heat and power facilities.

Electricity Transmission

8. Idaho utilities should have the ability and the appropriate incentives to construct transmission facilities that are needed to provide reliable, low-cost energy service to their customers, access to regional markets, and access to a diverse set of resources.
9. The Idaho PUC, Idaho's investor-owned utilities and the Bonneville Power Administration should work together to ensure that Idaho's Consumer-Owned Utilities have access to reliable transmission service for cost-effectively integrating new resources.

Environment

10. Idaho and Idaho utilities should encourage technologies that minimize emissions of harmful pollutants and water consumption.

11. Idaho and Idaho utilities should prepare for the possibility of federal regulation of greenhouse gas emissions.

Actions

Conservation and Energy Efficiency

- E-1. All Idaho utilities should fully incorporate cost-effective conservation, energy efficiency and demand response as the priority resources in their Integrated Resource Planning.
 - i. “Cost-effectiveness” of a conservation measure means that the lifecycle energy, capacity, transmission, distribution, water and other quantifiable savings accruing to Idaho citizens and businesses exceed the direct costs of the measure to the utility and participant.
- E-2. The Idaho PUC should establish and periodically update an avoided-cost benchmark for each utility to be used in evaluating the cost-effectiveness of conservation and renewable resource investments and in calculating payments to Qualifying Facilities under the Public Utility Regulatory Policy Act (PURPA).
- E-3. The Idaho PUC should establish annual targets for conservation achievement based on estimates of cost-effective conservation in the service territories of Idaho’s investor-owned utilities.
- E-4. The Idaho PUC should establish appropriate shareholder incentives for investor-owned utilities that achieve the conservation targets established by the PUC. Shareholder incentives may include, but are not limited to:
 - i. Recovery of revenues lost due to reduced sales resulting from conservation investments;
 - ii. Capitalization of conservation expenditures;

- iii. A share of the net societal benefits attributable to the utility's energy efficiency programs;
 - iv. An increase in the utility's return on equity for each year in which savings targets are met; or
 - v. "Decoupling" of utility revenues from sales.
- E-5. The Idaho PUC should support market transformation programs that provide cost-effective energy savings to Idaho citizens.
- E-6. The Idaho PUC and Idaho utilities should consider adopting rate designs that encourage more efficient use of energy.
- E-7. Idaho's municipal and cooperative utilities should annually report to the Energy Division their estimates of cost-effective conservation in their service territories, their plans for acquiring this resource, their conservation and energy efficiency expenditures, and their estimated savings in MWh and peak kW during the lifetime of the measures implemented.
- E-8. Idaho should offer an income tax incentive for investments in energy efficient technologies by Idaho businesses and households.
- E-9. Idaho should offer a sales and use tax exemption on the purchase of energy efficient technologies.
- E-10. Idaho should adopt international building codes on a three-year cycle as a minimum for building energy efficiency standards and should provide technical and financial assistance to local jurisdictions for implementation and enforcement.
- E-11. State Government will:
 - i. Demonstrate leadership by promoting energy efficiency, energy efficient products, use of renewable energy and fostering emerging technologies by increasing energy efficiency in all facets of State government.

- ii. Ensure that public facility procurement rules provide appropriate incentives to allow full implementation of cost-effective energy efficiency and small-scale generation at public facilities.
- iii. Collaborate with utilities, regulators, legislators and other impacted stakeholders to advance energy efficiency in all sectors of Idaho's economy.
- iv. Work to identify and address all barriers and disincentives to increased acquisition of energy conservation and efficiency processes and providers.
- v. Educate government agencies, the private sector and the public about the benefits and means to implement energy efficiency.

Renewable Generation Resources

- E-12. Idaho should offer an income tax incentive for investment in customer-owned renewable generation and combined heat and power facilities by Idaho businesses and households.
- E-13. Idaho should provide a credit backstop to enable the Idaho Energy Resources Authority to provide low-cost financing for customer-owned renewable generation and combined heat and power facilities.
- E-14. Idaho utilities should offer voluntary "green pricing" programs that allow customers to support environmentally preferred and renewable energy resources.
- E-15. The Idaho PUC should establish appropriate shareholder incentives for investments in Idaho renewable resources by investor-owned utilities. Shareholder incentives may include, but are not limited to:
 - i. Increased ROE for investments in renewable resources located in Idaho;
 - ii. A share of the net societal benefits attributable to a renewable energy purchase.

- E-16. The Idaho PUC should administer its responsibilities under the Public Utility Regulatory Policy Act in a way that encourages the development of customer-owned renewable generation and combined heat and power facilities.
- E-17. The Idaho PUC should establish uniform policies for interconnection and net metering that promote investment in customer-owned renewable energy facilities. Idaho's municipal and cooperative utilities should work together to develop a uniform policy for municipal utilities and rural electric cooperatives.
- E-18. Idaho utilities shall report annually to their retail customers their sources of electricity (their "fuel mix").

Conventional Generation Resources

- E-19. The Idaho PUC and the Departments of Water Resources and Environmental Quality should investigate and report on the status of "clean coal" technologies and barriers that prevent Idaho utilities from investing in environmentally-preferred uses of coal.
- E-20. Idaho and Idaho utilities should work with the INL to investigate the feasibility of bringing a "next-generation" nuclear facility to Idaho.
- E-21. Idaho should encourage the use of "dry cooling" or "gray water" cooling for new thermal facilities.

Transmission

- E-22. Idaho should participate in regional efforts aimed at increasing the capability of the western transmission grid and bringing to Idaho the benefits of cost-effective remote resources.
- E-23. Idaho should provide a credit backstop to enhance the Idaho Energy Resources Authority's ability to provide low-cost financing for transmission projects that benefit Idaho citizens.

- E-24. Idaho should support efforts to amend the Internal Revenue Code to provide additional ability for municipal and cooperative utilities to use tax-exempt financing to construct needed transmission facilities.

Natural Gas

Policies

14. It is Idaho policy to employ the highest and best use of natural gas and ensure that Idaho consumers have access to an abundant and reliable supply from diverse and varied resources.
15. It is Idaho policy to support responsible exploration and production of natural gas supplies and the expansion of the transmission, storage and distribution infrastructure.

Actions

- NG-1. The Idaho PUC should ensure that its line extension policies, electric and natural gas tariffs, and other policies encourage the direct use of natural gas in applications for which natural gas is the most efficient energy source.
- NG-2. Idaho should provide incentives for investments in non-traditional natural gas supply resources, including landfill methane, anaerobic digesters, and biomass methane.
- NG-3. Idaho should support the siting of liquefied natural gas terminals and other infrastructure in the United States to provide delivery capability to Idaho.

Petroleum and Transportation Fuels

Policies

15. It is Idaho policy to promote the production and use of cost-effective and environmentally-sound alternative fuels.

16. It is Idaho policy to promote conservation and efficiency as a means of reducing the burden of transportation fuel expenditures on Idaho households and businesses, improving the reliability and cost of Idaho's transportation fuel supply, and reducing transportation-related emissions.
17. It is Idaho policy to support responsible exploration and production of petroleum supplies and the expansion of transmission, storage and distribution infrastructure benefiting Idaho.

Actions

Alternative Fuels

- T-1. Idaho should ensure that its state vehicle procurement rules promote purchases of high-efficiency, flex-fuel, natural gas and alternative-fuel vehicles where cost-effective.
- T-2. Idaho should provide incentives for the purchase of efficient, flex-fuel and alternative fuel vehicles.
- T-3. Idaho should provide incentives for investments in retail and wholesale alternative fuel supply infrastructure.
- T-4. Idaho should establish an incentive for the production of ethanol and biodiesel that reflects the cost of alternative fuel production relative to the price of gasoline and diesel fuel.
- T-5. Idaho should promote research and development and business-university partnerships to speed the commercialization of alternative fuel technologies, with particular emphasis on cellulosic ethanol.
- T-6. Idaho should prohibit "exclusivity" requirements in future contracts between fuel suppliers and retail service stations that prevent the stations from offering alternative fuels.

Transportation Fuel Conservation

- T-7. Idaho should work with other states to promote an increase in Federal CAFE standards.
- T-8. Idaho should permit local authorization of transit option taxes to support the use and expansion of public transportation.
- T-9. Idaho should provide incentives for the installation and operation of equipment that reduces truck and tour bus idling.
- T-10. Idaho should encourage regional land use planning and policies that minimize vehicle miles traveled.

Energy Facility Siting

Policies

- 18. Idaho state agencies should play a role in providing technical information to support local energy facility siting decisions.

Actions

- S-1. The Idaho PUC should be vested with the authority to site transmission facilities within areas that have been designated by the US Department of Energy as National Interest Transmission Corridors.
- S-2. For electric generating facilities 50 MW or larger, an “Energy Facility Site Advisory Team” shall be established consisting of members appointed by the Departments of Environmental Quality, Water Resources, Commerce, Health and Welfare, Fish and Game, and Agriculture to provide technical information as requested by the local jurisdiction.
- S-3. When permitting large electric generating facilities, local jurisdictions should be required to make a reasonable effort to hear testimony about

the impact of the facilities from citizens and businesses in neighboring jurisdictions.

Implementation

Policies

19. Idaho should raise the profile of energy within state government and provide additional resources to oversee and promote implementation of the recommendations of this Energy Plan.

Actions

- I-1. The Department of Water Resources should become the Department of Water and Energy Resources (IDWER), and Idaho should establish a statutory framework that prescribes the duties of the Energy Division within the IDWER.
- I-2. The Energy Division should engage in public outreach and education and work with Idaho energy stakeholders to promote a reliable, diverse, cost-effective and environmentally-sound energy system for the benefit of Idaho citizens and businesses.
- I-3. The Energy Division should report to the Legislature every two years on the progress of Idaho state agencies, energy providers and energy consumers in implementing the recommendations in this Energy Plan.
- I-4. It is the recommendation of the Interim Committee that this Energy Plan be revisited and new recommendations be developed on a five-year cycle.